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WARSAW FOR FAS:KSNIPES

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SUBJECT: CAP IMPROVES LIVES OF LITHUANIAN FARMERS BUT NOT
WITHOUT CHALLENGES

¶1. Begin summary: Statistics about the Common Agricultural Policy (CAP) are readily available; however it is difficult to determine its direct impact on Lithuanian farmers with numbers alone. We recently visited several farms to get an understanding of the CAP's effects in Lithuania. CAP funds are positively changing the look and operation of Lithuanian farms. At the same time, there are several downsides to applying for and receiving the funds available. End summary.

Background

¶2. Little is known about the direct impact CAP payments have on the average Lithuanian farmer. In a June 22nd meeting with Laimonas Ciakas, Director of the EU Affairs and International Relations Department of the Ministry of Agriculture, Ciakas noted that Lithuanian farmers receive aid in one of three ways: through direct payments, market regulation, and rural development funds. From 2004 to 2006 Lithuanian farmers received over 1.6 billion Euros from the EU and other aid programs. According to Ciakas, this funding will increase dramatically. At the time of Lithuania's accession to the EU, Lithuanian farmers started receiving only twenty-five percent the amount of direct payments that farmers from the EU-15 received. The payments Lithuanian farmers currently receive are up to forty percent of the EU-15 amount. The amount of direct payments will theoretically equal the level of the older EU members by 2013.

Benefits of the CAP

¶3. The CAP has improved the quality of life for Lithuanian farmers. With rural development funds, old Soviet-era structures are being renovated or replaced in favor of newer, more modern buildings. Farms are expanding their operations and modernizing the equipment they use including irrigation and anti-frost systems for crops, more efficient milking methods at dairy farms, and new tractors. One farmer we observed who receives CAP funding had enough disposable income to expand and renovate his residence. Another farmer commented that the recent direct payments were enough to purchase a new and much-needed automobile. A third farmer can now afford to put the direct payments aside, with the intent of using them to help his children pursue higher education.

¶4. Expansion of markets and elimination of certain tariffs associated with EU entry have also benefited Lithuanian farmers. They are now able to import more efficient equipment and cheaper seeds for agriculture for much lower

costs. Lithuanian farmers now have access to more markets for their berries, fruits, vegetables and poultry than before accession. This availability of new markets provides justification for the farmers to expand and improve the efficiency of their farms, using CAP funds.

¶ 15. Lithuanians have found that there are a variety of ways to receive additional direct payments under the CAP. Because of the EU's emphasis on environmental conservation, organic farming is becoming especially popular. One organic farmer receives an annual payment of approximately 2600 Euros for keeping his nineteen hectare farm annually certified as organic. Another receives sixty percent more money in direct payments than the average Lithuanian farmer because he is under the age of forty. Training funded by the EU is another financial benefit.

Challenges associated with cap use in Lithuania

¶ 16. Farm modernization thanks to EU funding is not taking place without some challenges. One of our interlocutors, whose company recently received CAP funds, noted that restrictions are placed on the use of the money. Farmers are required to purchase new equipment, rather than used. They must also buy the equipment from fellow EU members. This blueberry farmer stated that it would have been cheaper for his company to buy used equipment or imported equipment from outside the EU rather than accepting the CAP aid, which equaled only fifteen percent of the total cost. Unfortunately, his company was committed to the aid before he realized this fact. We heard similar complaints by other farmers who had to purchase the latest technology in order to receive CAP funds.

¶ 17. One of the largest problems faced by small farmers seeking
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CAP subsidies is the paperwork process. One told us, "I don't know how a person without a college education could do the paperwork." This same individual helped her neighbors fill out their direct payment paperwork for the last couple of years. However she had to discontinue this help because of the excessive amount of time required to complete the CAP benefit application forms. After the forms are complete, it is not uncommon to receive numerous rejections before final approval. Accounting discrepancies tended to be the most common problem with the rejected paperwork, according to the farmers we interviewed.

¶ 18. One Lithuanian farmer informed us that it is no longer worth trying to raise cows for meat because it can now be imported so much cheaper from other places, specifically Poland, as a result of the open market policies of CAP. The same farmer mentioned that he has noticed more competition for dairy products from farms in Latvia. Another farmer said that his company, known for offering a variety of flowering plants, has been completely forced out of the rose business by competitors from other EU countries who send their products into Lithuania.

¶ 19. Multiple farmers noted that it was hard to find aid and advice from government sources. One poultry farmer we spoke to claimed that the favoritism and politics within the GOL affected the ability to use CAP allocated funds within the designated time. Inspections are also a challenge. Several farmers noted that inspectors showed up at inopportune times without prior notice for inspections and interviews, and then required the farmers to be available at that specific time. One farmer commented that even though farmers can now get more aid than previously available, it was negated by the fact that manufacturing companies have taken advantage of the increase in foreign dollars by raising their prices on farming equipment and services.

¶10. The application of the CAP in Lithuania's agricultural process is progressing. Not all farmers feel the paperwork is impossible. One farmer stated that the paperwork is now something one person can take care of given enough time. Ciakas concurs with this opinion. He said the paperwork issue is only a temporary inconvenience. He added that the paperwork was initially hard for farmers because it was something new to them, but that the farmers' experience with the paperwork and improvements within the bureaucratic process are turning the application process into a non-issue. Ciakas also said that there are now farm advisories being set up across the country that are easily accessible to farmers.

Comment

¶11. The CAP is not the salvation of all Lithuanian farmers. However, it has made a significant difference for some. Despite all of the complaints we heard about the negative aspects of the CAP process, the vast majority of those we interviewed said they would go through the process again to receive the aid. This is a testament of the success of CAP in the farmers' eyes. The CAP is improving their livelihood and standard of living. Farming in Lithuania is a more attractive occupation now than at any time since independence from the Soviet Union. As modifications and adjustments are made to the CAP over the coming years and farmers become more accustomed to the process, agriculture and rural life in Lithuania will continue to improve.

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